



## **Strategic Plan**

FY 2007 - FY 2011

Effective: July 01, 2006 thru June 30, 2011

**Mission Statement:** The Board of Tax Appeals resolves appeals of taxpayers and taxing authorities to maintain public confidence in the state tax system.

**Statutory Authority:** The Washington State Legislature established the Board of Tax Appeals in 1967. The Board's enabling legislation is found in chapter 82.03, Revised Code of Washington (RCW). The Board has jurisdiction over a variety of tax-related disputes including, but not limited to, excise taxes (RCW 82.03.190), public utility valuations (RCW 82.03.130), exemption decisions (RCW 84.36.850), and property assessment appeals (RCW 84.08.130).

### **Overview:**

In 1967, the Legislature created the Board of Tax Appeals as an independent, quasi-judicial tribunal with specialized knowledge of state and local taxation. The members of the Board are appointed by the Governor with consent of the Senate for a six-year term. In addition to being experienced in matters pertaining to state and local taxation, the members must also be familiar with various and generally accepted appraisal theories, adjudication procedures, and statutes and rules regarding those matters that come before the Board.

The Board hears and decides appeals involving property owners, utility companies, taxing units, the Department of Revenue, the Department of Natural Resources, and county assessors regarding disputed values ranging from small amounts to millions of dollars. The scope and duties of the Board's appellate jurisdiction include the review of a broad range of decisions rendered initially by state and local governments. The Board is the final administrative authority on taxation in the state of Washington. Its jurisdiction extends statewide.

As an integral part of the state's tax system, the Board provides a convenient forum for taxpayers to voice their concerns with little or no effort and without counsel.

Annually, the Board processes 1,800 to 2,000 new appeals, many with complex tax issues. The Board saves an over-burdened court system this workload.

### Goal:

Resolve all state tax appeals in a timely, convenient, and economical manner by issuing comprehensive written decisions that are based on state statutes, case law, and Board precedent.

### Objectives:

1. Resolve 85 percent of all appeals within one year from the date of filing.
2. Hear 85 percent of all standard appeals no later than seven months from the date of filing.
3. Hear 80 percent of all complicated appeals no later than nine months from the date of filing.
4. Hear 80 percent of all full Board appeals no later than one year from the date of filing.
5. Issue 90 percent of decisions within 90 calendar days of a hearing.
6. Have no more than 600 appeals that are waiting to be scheduled for hearings.
7. Issue 80 percent of decisions within 30 calendar days of receipt of petition for reconsideration or exception.

### Performance Measures:

- Percentage of decisions within one year of the filing of an appeal.
- Percentage of decisions issued within 90 days of the hearing.
- Number of appeals filed but not yet assigned a hearing date.
- Average number of days to the hearing and resolution (filing to closure) of standard, complicated and full Board appeals.
- Average number of days from receipt of petition for exception or reconsideration to issuance of decision.
- Number of appeals filed and closed.

## Strategies:

1. Increase the number of hearings when unscheduled hearings exceed 600.
2. Schedule the three Board members to conduct at least eight complex (high-value property tax, exemption and excise tax appeals) formal or informal hearings per month. Board members typically hear informal cases either as a full board or individually. All formal cases are full-board hearings.
3. Schedule individual members of the Board to conduct at least eight commercial cases or twelve residential cases per month or a combination thereof.
4. Schedule pre-hearing conferences for complex cases to aid in focusing the parties on appropriate procedures and issues.
5. Schedule each Tax Referee to conduct a minimum of three hearing days a month. These should include at least twelve commercial cases or eighteen residential cases per month or a combination thereof.
6. All decisions should be reviewed for consistency and quality within three days of writing.
7. Professional education training for Board and staff should be encouraged.
8. Increase the number of teleconference hearings by educating parties about the convenience and travel savings to them from using teleconference hearings.
9. Utilize feedback mechanisms to improve the quality of service to taxpayers.
10. Explore new technology to maximize the Board's efficiency, such as a paperless workplace.
11. Continue to improve the research, analytical and customer-service skills of the employees.
12. Hold hearings at locations convenient to participants when feasible and cost effective.

## Performance Assessment:

The Board, as a specialized administrative tribunal, provides a forum for the resolution of state tax disputes. Essentially, the agency performs one repetitive task: adjudicate tax appeals. Historically, the demand for Board hearings has been fairly constant with some yearly increases. The Board's personnel strength has increased over the past 18 months to address these increases.

During the last six months of 2005 and into early 2006, the Board significantly reduced its case backlog. This backlog is defined as the number of appeals filed but not yet assigned a hearing date. The current backlog is under 700 cases. The effort required to reach this reduction has taken the efforts of all the Board's employees. However, funding of the contracted-tax-referee program helped alleviate some of the backlog.

The challenges ahead are to process appeals to be heard within six months of receipt, and to produce all written decisions within 90 days of the hearings.

The Board of Tax Appeals is committed to providing taxpayers and taxing authorities with a simple, timely, and inexpensive process for adjudicating their appeals.

### Appraisal of External Environment:

A rising population and external economic factors continue to pressure the state's housing and commercial property markets. Property values have increased substantially. This is especially true in King, Pierce, Snohomish, Kitsap and Thurston Counties and across the state. When the prices of properties escalate, the market value of all properties increases accordingly. As a result, many taxpayers believe their property is overvalued. They then appeal to this Board.

Though the majority of property tax cases are resolved by the assessors or by the local county boards of equalization, an historic average of 1,800 to 2,000 appeals per year have been filed with the Board. This relatively stable number results from the shifting of "hot spots." For example, recent increases in the number of appeals emanating from King County have been offset by decreases from other western Washington counties and from counties in eastern Washington. However, with the continued tight housing market in King County, the Board anticipates a high number of appeals from King County will continue. And, because of the hot real estate market, the Board may see an increase in appeals from other counties.

Though significant changes to the state's personnel system have occurred, the Board does not anticipate corresponding adjustments to its procedures or functions. Of the Board's twelve personnel, nine hold exempt positions. Because of the stability of the staff and the cross training required to effect a smooth and efficient office, the Board does not anticipate any outsourcing of our office functions.

The Board forecasts no major changes in the pace and level of its operation. Nevertheless, a few words of caution seem appropriate. The steep increases in residential housing values may produce an increase in the number of appeals and the number of agents soliciting appeals. However, it appears that rising interest rates are starting to slow down the real estate market. Business properties have increased in value; however, at a slower rate than residential housing. The rate of business-value increase has continued even though many businesses have experienced declines in net incomes. The popularity of real estate investments continues due to the downturn in the stock market and the historically low interest rates. Though hard to quantify, shifts in these market forces could have an impact on the Board's operations. Also, changes to

governmental tax policies –depending on their scope – could have a significant impact on the Board's case load.

### Capital and Technology Needs:

The Board's capital and technology needs are influenced by standards set by Department of Information Services (DIS) and the need to maintain a line of communication with other state agencies and taxpayers.

The 2004-06 Biennium brought about several significant business tool upgrades for the Board. The cornerstone software for case tracking and management was retired after nearly 20 years in service. It has been replaced by a custom 'Visual dot Net' user interface built on a 'SQL 2000 Server' database. A document management system based on 'Laserfiche' software was also introduced. This program includes a robust Web-enabled search engine. At the completion of conversion of the archive of over 10,000 Board decisions, this product will replace the searchable front-end program that has been in place on the Board's Website since 1997. The Board's Website was redesigned by a talented graphic designer through a DIS Small Agency Technology Pool grant.

The near-term focus is on the continued integration of the new Case Tracking System (CaTS) and the document management system. Both utilize SQL databases and are the platform for refining workflow, correspondence, and calendaring processes. The Board will be able to seamlessly research decisions, listen to hearing recordings, and monitor appeal status using these tools.

The Board's Website at <http://bta.state.wa.us> is a significant resource for internal and external use. It includes a searchable program of the Board's decisions, forms, applicable WAC and RCW links, instructional information regarding the appeal process, calendars, and other materials. The internet is open government's greatest advance in transparency and delivery of services.

Installation of new server, firewall, and backup systems will allow telecommuting staff to remotely access their computer desktop using Virtual Private Network (VPN) technology. This will greatly improve productivity and communication with co-workers while working away from the office.

Over the years, litigation and appellate practices have gradually moved to paperless systems of conducting business. Critical to these changes has been the development of sound policies and procedures and upgrades to existing technologies. The Board recognizes these trends and, with adequate funding, is committed to developing a paperless system. Moving individual taxpayers in this direction may be difficult. However, a substantial number of cases are handled by CPAs, appraisers, attorneys, and other professionals all of whom have electronic capabilities. Currently, the Board lacks a number of technologies to achieve this capability.

## Trends in Customer Characteristics:

A significant number of taxpayer appeals in King County continue to be filed by professional representatives as allowed by the Board's regulations. One representative agency currently accounts for about 20 percent of all of the King County appeals to the Board. The taxpayers who hire representatives tend to be business owners or owners of high-end residential properties valued at \$1 million or more. These taxpayers tend to appeal valuation assessments on the same property parcels, year after year.

## Risks:

Our primary risk is inadequate funding: a consistent and constant funding level with inflationary adjustment is needed. As the Board operates at the maximum, even a slight funding reduction of 5 to 10 percent – which equates to a small percentage of the state's budget – would be of significant detriment to our operation. Backlogs would increase and the Board would not be able to meet its goals and objectives. Maintaining consistent funding at the present operational levels allows the Board to sustain a reasonable processing time for appeals. It also allows the Board to maintain an even flow and pace in its operations.

## Future Direction:

Although the Board does not anticipate major changes in its core functions through June 30, 2011, unknown and unpredictable market forces could have a major impact on the Board's operation. Despite unforeseeable external factors, the Board will continue to explore new ways of doing business to enhance its efficiency and make it easier for taxpayers to have their cases heard. The Board sees movement toward a paperless operation and capitalizing on technologic innovations as key methods to attaining these objectives.

## Conclusion:

Under the law, taxpayers are entitled to fair treatment in the apportionment of the tax burden and a reasonable opportunity to be heard if they perceive error or inequity in their assessments. The Board of Tax Appeals provides taxpayers and taxing authorities with a simple, timely and inexpensive forum at which to adjudicate cases. It is a unique and independent appellate body performing an important function for the citizens of this state.